CBO STAFF MEMORANDUM

THE COST OF FORBEARANCE
DURING THE THRIFT CRISIS

JUNE 1991

CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

This memorandum was prepared by Philip F. Bartholomew under the supervision of Elliot Schwartz. Emily Kolinski and David Whidbee provided research assistance. Michael Crider, Kim Kowalewski, Thomas Lutton, Larry Mote, Sherry Snyder, and Bob Sunshine made substantial contributions to this memorandum. This analysis was conducted at the request of the Committee on Banking, Finance and Urban Affairs of the United States House of Representatives. It provides an estimate of the cost of delay in closing failed thrift institutions resulting from the policy of forbearance. In accordance with the Congressional Budget Office's mandate to provide objective and impartial analysis, the memorandum contains no recommendations.

NOTE: All years are calendar years, unless otherwise stated.

SUMMARY

Several federal regulators of depository institutions recently have suggested that a policy of regulatory forbearance might be granted to currently troubled banks and thrifts. Regulatory forbearance would permit these troubled depositories to remain open. Regulators argue that these institutions are suffering temporary financial setbacks and that, given sufficient time, they will be able to restore themselves to sound financial condition. This same argument was made during the early part of the thrift crisis. The Congressional Budget Office estimates that this policy increased the eventual bill for resolving failed thrift institutions by about $66 billion (in 1990 dollars).

To estimate the additional cost incurred because of the policy of forbearance, CBO examined data for 1,130 thrifts that were either resolved during the period 1980 through 1990 or are projected to be resolved in 1991. Of these failed thrifts, 57 percent had become insolvent on a book-value basis by year-end 1984, and 80 percent had become insolvent by year-end 1987. Although the federal regulators were aware of the insolvency of these institutions at the time, it took an average of 38 months to close and resolve them from 1980 through 1990.

The cost of not closing thrifts when they first became book-value insolvent represents over half of the estimated $127 billion cost (in 1990 dollars) of resolving the 1,130 thrifts. Thus, forbearance may have doubled the cost of the thrift bailout. The average failed thrift deteriorated in value at an annual rate of 37 percent between the time it first became book-value insolvent and when it was closed and resolved by the federal regulator.

INTRODUCTION

At year-end 1980, there were 3,993 thrift institutions with assets of $604 billion whose deposits were insured by the Federal Savings and Loan Insurance Corporation (FSLIC). By year-end 1990, the number of thrifts had declined to 2,342; the nominal value of their assets had grown to about $1 trillion.[1] Most of this consolidation came through government closure rather than voluntary merger. During this 10-year period, 842 thrifts were closed and resolved at a cost to the government estimated at the time to be $80.1 billion (approximately $85.4 billion in 1990 dollars) on a present-value basis.[2] At year-end 1990, 179 thrifts were in government conservatorships and 109 institutions were insolvent, judged by the book value of their tangible capital.[3] The Congressional Budget Office (CBO) projects that these 288 thrifts will be resolved in 1991 at an estimated cost of about $44

1. See Tables A-1 and A-2 for a detailed accounting of changes in the thrift industry from 1980 through 1990.

2. Additional thrifts were merged with regulatory supervision at no insurance cost to the government.

3. Tangible capital excludes the value of goodwill created through merger transactions.

billion, or about $42 billion in 1990 dollars. Thus, the estimated cost of resolving these 1,130 thrifts exceeds $125 billion in 1990 dollars.[4]

FORBEARANCE

Forbearance is the discretionary practice of not enforcing an existing rule. In the 1980s, thrift regulators elevated forbearance to a general policy for the entire thrift industry--they did not close institutions when they became insolvent. Regulators did not violate statutes; rather, in altering agency regulations they interpreted those statutes in the most liberal way possible, thereby allowing themselves to avoid closing insolvent institutions.

In 1982, approximately 85 percent of all thrifts reported negative net income; 415 thrifts reported themselves to be insolvent on a tangible basis (see Table A-1). Regulators initially responded to this problem by closing increasing numbers of insolvent thrifts. The number of annual thrift resolutions more than doubled between 1981 and 1982, from 28 to 63.

At the time, however, many observers argued that the thrifts' problems were temporary, brought on by high interest rates and the deep recession. When interest rates declined, it was argued, and the economy recovered, thrifts would be able to regain solvency. Indeed, the industry as a whole experienced positive net after-tax income for the years 1983 through 1986. Net operating income, which measures the difference between interest earned on assets and interest paid on borrowing, was only slightly negative for the industry in 1983, and was positive and substantially improving for 1984 through 1986.

It was also anticipated that the Depository Institutions Deregulation and Monetary Control Act of 1980 and the Garn-St Germain Act of 1982 would provide additional relief to the thrifts by reducing regulatory burdens. Interest rate ceilings on deposits were phased out, and thrifts were permitted to engage in a wider variety of investment activities. Several states afforded their chartered thrifts more liberal investment options. Many observers thought that this deregulation would allow thrifts to diversify their investments and reduce the overall level of risk of their portfolios.

The forbearance policy in part grew out of the recognition that the combined effects of economic recovery, lower interest rates, and statutory deregulation would take some time to affect the financial health of the thrifts. Thus, it was argued, regulators should not necessarily close troubled thrifts as quickly as strict accounting

4. CBO currently projects that an additional 887 thrifts that are now solvent when measured on a book-value basis will need to be resolved by year-end 1995, because of their financial problems. If closed today, these thrifts would cost, on a present-value basis, an additional $33 billion to resolve.

measures of solvency would indicate. Indeed, some thrifts benefited from this policy. Of the 112 thrifts that were tangibly insolvent in 1981, 16 were restored to solvency in 1982. Of the 415 thrifts that were tangibly insolvent in 1982, 51 were restored to solvency in 1983.

Another reason for granting forbearance was that the FSLIC did not have sufficient cash resources to close all insolvent institutions. Closure of all institutions that were tangibly insolvent in 1982 probably would have depleted the fund's cash. The required outlays for deposit insurance would have increased an already record federal budget deficit. Policymakers wanted to avoid asking taxpayers to foot the bill for FSLIC's losses, if the industry's problems were only temporary. Thus, regulators avoided closing institutions or arranging supervisory mergers. Losses were not recognized and the FSLIC remained financially solvent, at least until 1987 when the magnitude of the losses finally forced the recognition of the FSLIC's insolvency.

By the mid-1980s, however, many thrifts were still experiencing problems, and thrift regulators offered a new argument to avoid closing troubled institutions--that troubled thrifts could "grow out of their problems." Unfortunately, allowing them to do so did not anticipate either the subsequent decline in energy prices and its effect on the collapse of the credit quality of thrifts in the Southwest or the Tax Reform Act of 1986, which affected real estate values. By 1986, many thrifts that had previously been restored to financial health now suffered from a reduction in their asset values. In 1986, thrifts lost more than $1 billion in net nonoperating income, the accounting measure that best reflects asset losses. In 1987 and 1988 combined, thrifts lost $19 billion in net nonoperating income.

Thus, regulatory forbearance permitted the thrift industry to deteriorate. By not closing insolvent thrifts or requiring them to recapitalize, the regulators exacerbated the problem--inherent in insurance relationships--of moral hazard. Moral hazard is the term economists use to describe the reduced incentive of insured parties to protect themselves against risk if the potential losses associated with that risk are guaranteed (or insured) by another party. The U.S. system of deposit insurance addresses the risk of moral hazard through regulation and prudential supervision. When those safeguards failed, the adverse incentives of moral hazard were given free play.

Forbearance, therefore, set the stage for rampant investment speculation and fraudulent practices, all of which added to the ultimate cost of resolving the thrift crisis.

ESTIMATING THE COST OF FORBEARANCE

Recent studies of government accounting for deposit insurance suggest a method of estimating the cost to the government of the regulatory forbearance policies of the

1980s.[5] This method would recognize losses on a more timely basis by requiring the deposit insurer to record losses on the government's books once a depository was insolvent on a book-value basis.[6] Thus, a depository would be recognized as having failed when it became insolvent on a book-value basis, rather than when it was closed, as is current practice. In the unlikely event that an institution that was insolvent on a book-value basis recovered, the avoided resolution costs would be recorded as a receipt.

Retiming Resolutions Based on a Tangible Solvency Rule

Financial statements (call reports) from all thrifts regulated by the Federal Home Loan Bank Board or insured by the FSLIC contain information that can be used to estimate the cost of resolving failed thrifts, if they had been closed when they were reported to be insolvent. The best available measure of solvency, which is contained in call reports, is tangible capital--the value of tangible assets minus liabilities. When tangible capital equals zero, an institution is effectively insolvent.

The effects of this insolvency criterion can be analyzed by applying it to the 1,130 thrifts that already have been or are expected to be resolved. This set of institutions includes 842 thrifts that were resolved by the FSLIC or its successor, the Resolution Trust Corporation (RTC), during the period 1980 through 1990. It also includes 288 unresolved thrifts that are projected to be resolved sometime in calendar year 1991--179 thrifts that were in RTC-conservatorships at year-end 1990, and 109 thrifts that were tangibly insolvent but not in government hands at the end of 1990.[7]

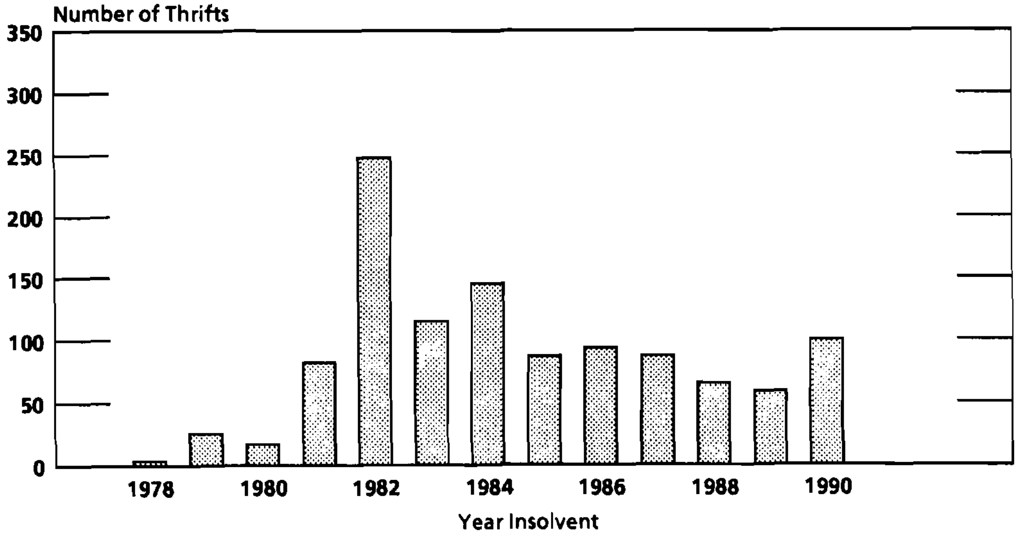
Most failed thrifts were not resolved until long after they became tangibly insolvent. Figures 1 and 2 compare the timing of when these 1,130 thrifts first became insolvent on a tangible basis with when they were resolved; Figure 3 shows the average length of time institutions were insolvent. About 57 percent of these thrifts were insolvent before 1985, yet the FSLIC had resolved only 15 percent. By year-end 1987, 80 percent were insolvent, but only 26 percent had been resolved. The average duration of insolvency before closure and resolution for the entire 1,130

5. The Omnibus Budget Reconciliation Act of 1990 mandated the study of government accounting for deposit insurance by CBO and the Office of Management and Budget (OMB). Both agencies presented their mandated studies to the Congress at the end of May 1991. The studies included numerous options for reforming the accounting treatment of government deposit insurance.

6. See Congressional Budget Office, *Budgetary Treatment of Deposit Insurance: A Framework for Reform* (May 1991).

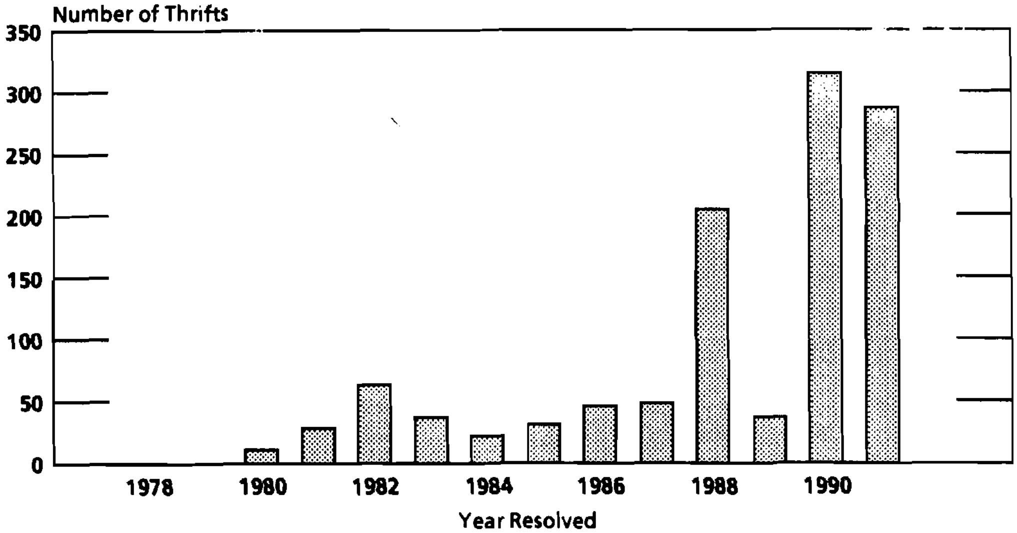
7. CBO currently projects that an additional 887 thrifts will require resolution by either the RTC or the Savings Association Insurance Fund by 1996. These 887 thrifts are currently operating in a tangibly solvent condition, but based on the poor quality of their asset portfolio these thrifts will most likely fail and require government resolution in the near future.

Figure 1.
When Resolved Thrifts Became Tangibly Insolvent, 1978-1990



SOURCE: Congressional Budget Office using data from the Federal Home Loan Bank Board and the Office of Thrift Supervision.

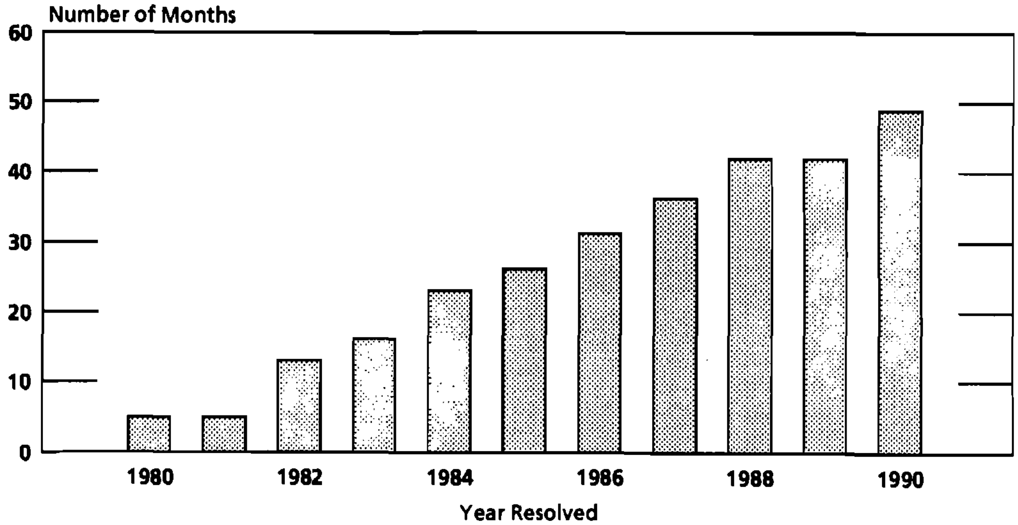
Figure 2.
When Thrifts Were Resolved at a Cost to the Government, 1978-1991



SOURCE: Congressional Budget Office using data from the Federal Home Loan Bank Board and the Office of Thrift Supervision.

NOTE: Number of thrifts resolved in 1991 is a projection.

Figure 3.
Average Number of Months of Thrifts' Tangible Insolvency Before Resolution, 1980-1990



SOURCE: Congressional Budget Office using data from the Federal Home Loan Bank Board and the Office of Thrift Supervision.

thrifts was 38 months. Thrifts resolved in 1990 were, on average, insolvent for 49 months. Thus, by 1990, thrift owners, managers, and directors had had more than four years of forbearance to try to salvage their institutions and for moral hazard incentives to operate.

At the time an institution is closed, the RTC estimates--as did the FSLIC before it--the present-value cost of resolving the institution's assets and liabilities. This is the agency's best estimate of the cost of resolution. Thus, FSLIC and RTC estimates of resolution costs can be used to determine the final cost of resolving failed thrifts. Table 1 shows aggregate information on the 1,130 thrifts closed and projected to be resolved during the period 1980 through 1991. The estimated present-value costs of resolution are shown in nominal terms and recalculated in 1990 dollars. The estimated constant dollar cost of resolution totaled more than $125 billion over the 1980-1991 period.

Estimating the Cost of Delay in Closing and Resolving Failed Thrifts

A simple method to determine the cost of forbearance (or the cost of delaying the closure of insolvent thrifts) would appear to be to subtract the originally reported negative amount of insolvency from the estimated cost of resolution, which occurred some time later. This calculation, however, would misstate the losses incurred after an institution became insolvent on a book-value basis because of the inclusion of administrative costs in the resolution cost estimates and the exclusion of embedded market-value losses that are unrecognized in the book-value measure of tangible capital.

To account for both the administrative costs and the embedded losses, CBO calculated what the cost of resolution would have been had insolvent institutions been resolved when they reported negative tangible capital.[8] This calculated resolution cost was then compared with the actual estimated resolution cost made by the resolving agency (either FSLIC or RTC) when the institution was resolved. The difference between these two amounts represents the estimated cost of delay resulting from forbearance (see Figures 4 and 5). After adjusting for inflation, this calculation produces an aggregate estimated cost of delay, in 1990 dollars, of approximately $66 billion for the 1,130 thrifts.

The $66 billion cost of forbearance can be used to calculate the annual real rate of deterioration of the troubled thrifts that were allowed to remain open. The cost of resolving failed thrifts increased, in real terms, an average of 37 percent in each year that they were left open to operate. The median annual increase in costs for the 1,130 thrifts was 51 percent. The estimated resolution costs increased for

8. The calculation of what resolution costs would have been relies on data for reported levels of tangible net worth, both at the time of insolvency and at the time of resolution.

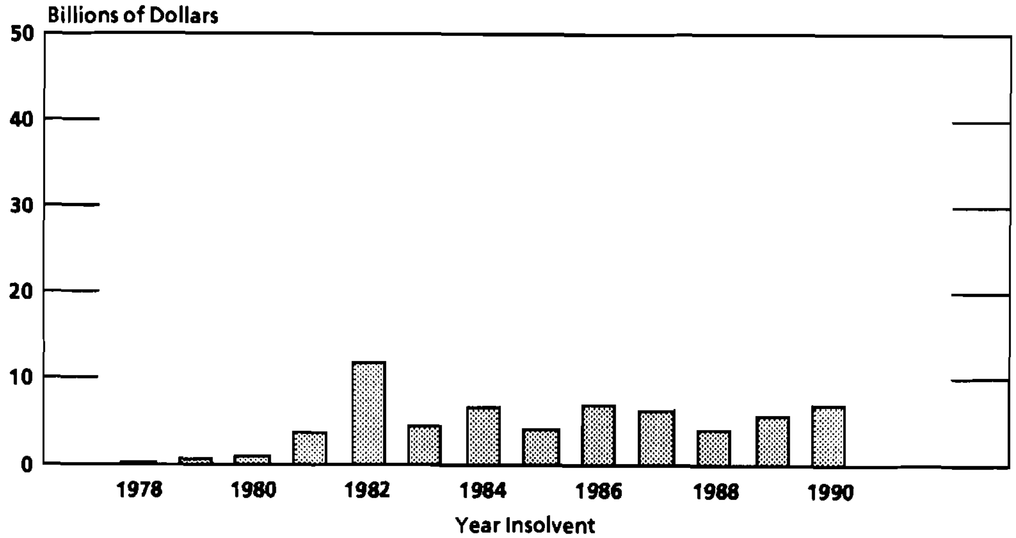
TABLE 1. CHARACTERISTICS OF INSTITUTIONS RESOLVED, 1980-1991

Year	Number of Resolutions	Total Assets (Millions of dollars)	Average Number of Months of Tangible Insolvency	Resolution Cost per Dollar of Assets (Percent)	Estimated Present-Value Cost of Resolution: Millions of Current Dollars	Estimated Present-Value Cost of Resolution: Millions of 1990 Dollars
1980	11	1,458	5.4	11.5	167	262
1981	28	13,908	5.2	5.5	759	1,091
1982	63	17,662	12.9	4.6	803	1,087
1983	36	4,631	16.4	5.9	275	357
1984	22	5,080	23.4	14.6	743	928
1985	31	5,601	25.9	17.5	979	1,238
1986	46	12,455	30.6	24.6	3,065	3,609
1987	47	10,660	35.7	34.8	3,704	4,208
1988	205	100,660	42.0	31.0	31,180	33,994
1989	37	11,019	42.4	58.0	5,399	5,641
1990	316	117,191	49.0	28.4	33,031	33,031
1991(a)	288	167,542	55.0	26.1	43,782	41,687
Total	1,130	467,867	42.1	26.5	123,887	127,133

SOURCE: Congressional Budget Office using data from the Federal Home Loan Bank Board and the Office of Thrift Supervision.

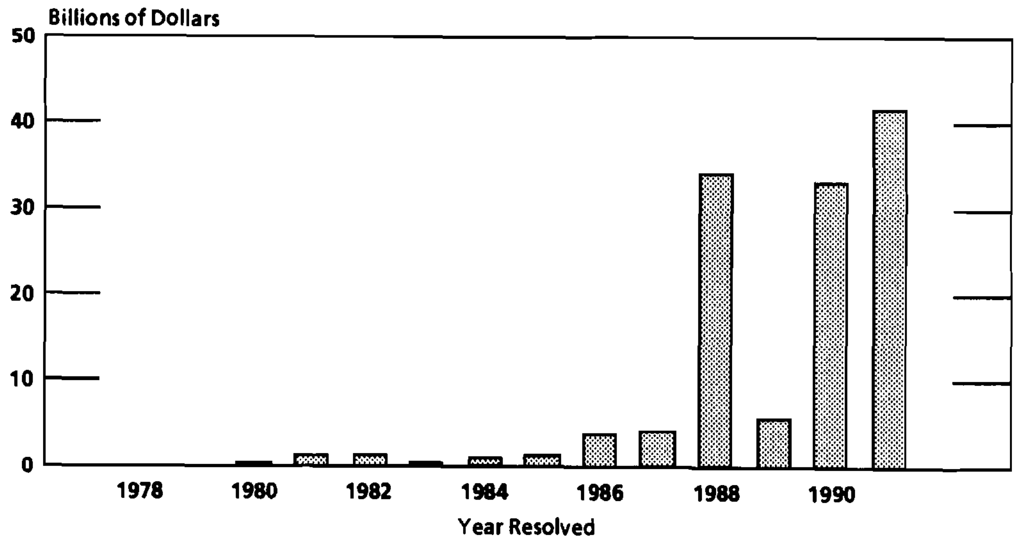
(a) Projected.

Figure 4.
Cost of Resolution If Thrifts Had Been Closed When They Became Insolvent, 1978-1990



SOURCE: Congressional Budget Office using data from the Federal Home Loan Bank Board and the Office of Thrift Supervision.

Figure 5.
Cost of Resolution When Thrifts Were Closed, 1978-1991



SOURCE: Congressional Budget Office using data from the Federal Home Loan Bank Board and the Office of Thrift Supervision.

NOTE: Cost for 1991 is a projection.

513 thrifts. The remaining thrifts either were resolved at no additional costs or were resolved in the year they became insolvent.

Calculating the cost of delay requires a number of simplifying assumptions. One assumption is implicit--that certain costs incurred in the process of resolving a failed thrift are the same whether it would have been resolved when it first became insolvent, or later, when it actually was resolved. These costs come from the government's administration of resolutions and the possible loss of franchise value that may take place if regulators act precipitously.[9]

The most important assumption is that the costs remaining after the calculated resolution costs are subtracted from the reported resolution costs represent the deterioration in net worth that could have been avoided if the institution had been shut down at the time of insolvency. Although the estimated cost of delay attempts to incorporate a write-down of the embedded losses, some of these losses may still be represented in the estimate. There is, however, sufficient reason to believe that a substantial portion of those losses represent additional costs that could have been avoided if institutions had been closed earlier. Many troubled thrifts attempted to increase their assets and funded that growth by borrowing at high rates. Undercapitalized thrifts paid costly premiums for their deposits and other borrowings. Financing growth in this way only reduced or made negative their net operating profits. Fraud and negligence, fueled by the incentive of moral hazard, have been well documented. On balance, the weight of available evidence indicates that much of the estimated $66 billion in added costs that occurred between the time of insolvency and the time of closure was the result of actions and investments made by thrift officials during the intervening period.

Two factors associated with calculating the cost of forbearance based on tangible solvency could change the estimated cost. First, some tangibly insolvent thrifts did recover. About 345 thrifts currently operating and tangibly solvent on a book-value basis were technically insolvent at some time during the 1980s. CBO projects that 70 percent of the 345 thrifts will ultimately fail and require resolution. Adjusting the earlier calculations of the cost of forbearance to account for the possible continued recovery of the surviving institutions would lower the estimate by only $1.5 billion.

A second factor, however, could raise the estimate of forbearance costs. Many analysts have suggested that earlier closure of failed thrifts might have benefited other, healthy, thrifts that subsequently also failed. Because undercapitalized or insolvent thrifts were permitted to compete with healthy thrifts (and banks), they bid up interest rates offered to depositors and bid down rates required of borrowers. The resulting squeeze on the profits of all financial competitors ran up the cost of the thrift debacle.

---

9. The calculation also assumes that the time value of money and the resolution's cash flow were unchanged over time.

Thus, on balance, the forbearance policy practiced by thrift regulators during the 1980s must carry a large portion of the burden for escalating the cost of the thrift bailout. Had regulators acted more promptly, as much as $66 billion might have been saved.

TABLE A-1. Year-End Thrift Information, 1980-1990

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Assets and Net Worth (Billions of dollars)											
Number of Institutions	3,993	3,751	3,287	3,146	3,136	3,246	3,220	3,147	2,949	2,597	2,342
Total Assets (RAP Basis)	604	640	686	814	978	1,070	1,164	1,251	1,352	1,157	1,005
Net Worth (GAAP Basis)	32	27	20	25	27	34	39	34	46	51	NA
Tangible Net Worth	32	25	4	4	3	9	15	9	23	36	38
Income (Millions of dollars)											
Net After-Tax Income	781	-4,631	-4,142	1,945	1,022	3,728	131	-7,779	-12,057	-3,124	-964
Net Operating Income	790	-7,114	-8,761	-46	990	3,601	4,562	2,850	907	-3,549	-1,099
Net Nonoperating Income	398	964	3,041	2,567	796	2,215	-1,290	-7,930	-11,012	316	428
Taxes	407	-1,519	-1,578	576	764	2,087	3,141	2,699	1,952	-109	331
Asset Portfolio (Percentage of total)											
Home Mortgages	66.5	65.0	56.3	49.8	44.9	42.4	38.9	37.8	38.6	42.9	44.5
Mortgage-Backed Securities	4.4	5.0	8.6	10.9	11.1	10.4	13.1	15.6	15.4	14.0	14.5
Mortgage Assets	70.9	70.0	64.9	60.7	56.0	52.8	52.0	53.4	54.0	56.9	59.0
Institution Type											
Stock Institutions											
As a percentage of all institutions	20.0	21.0	23.0	24.0	30.0	33.0	37.0	40.0	44.0	44.0	44.0
As a percentage of total assets	27.0	29.0	30.0	40.0	52.0	56.0	62.0	70.0	74.0	75.0	75.0
Federally-Chartered											
As a percentage of all institutions	50.0	51.0	51.0	51.0	54.0	53.0	54.0	56.0	58.0	60.0	64.0
As a percentage of total assets	56.0	63.0	70.0	66.0	64.0	64.0	64.0	65.0	71.0	75.0	83.0
Tangible Capital-to-Asset Ratio (Assets in billions of dollars)											
Greater Than 6 Percent											
Number of thrifts	1,701	1,171	787	661	643	806	972	1,113	1,136	1,180	1,132
Total tangible assets	181	101	59	84	62	95	156	188	196	206	195
Between 3 Percent and 6 Percent											
Number of thrifts	1,956	1,766	1,202	1,091	945	1,009	995	891	864	813	837
Total tangible assets	379	348	190	222	227	259	316	356	418	480	484
Between 1.5 Percent and 3 Percent											
Number of thrifts	230	524	592	569	526	460	354	277	281	245	163
Total tangible assets	39	113	136	185	168	212	191	196	244	206	154
Between 0 Percent and 1.5 Percent											
Number of thrifts	63	178	291	310	327	266	227	194	160	120	101
Total tangible assets	4	50	81	88	153	135	144	143	182	59	83
Less than 0 Percent											
Number of thrifts	43	112	415	515	695	705	672	672	508	239	109
Total tangible assets	0.4	29	220	234	336	335	324	336	283	192	89
Conservatorships (Assets in billions of dollars)											
Number of Thrifts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	281	179
Total Tangible Assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	93	79
Resolutions (Millions of dollars)											
Number of Thrifts	11	28	63	36	22	31	46	47	205	37	316
Total Assets	1,458	13,908	17,662	4,631	5,080	5,601	12,455	10,660	100,660	11,019	117,191
Estimated Present-Value Cost	167	759	803	275	743	1,022	3,065	3,704	31,180	5,399	33,031
Estimated Present-Value Cost, in 1990 Dollars	262	1,091	1,087	357	928	1,238	3,609	4,208	33,994	5,641	33,031

SOURCE: Congressional Budget Office using data from Federal Home Loan Bank Board, Office of Thrift Supervision, Resolution Trust Corporation, and Ferguson and Company. The format of this table is adapted from James R. Barth, Philip F. Bartholomew, and Carol J. Labich, "Moral Hazard and the Thrift Crisis: An Empirical Analysis," Consumer Finance Law Quarterly Report, vol. 44, no. 1 (Winter 1990), p. 23.

NOTES: Data for 1990 are preliminary. For 1989 and 1990, industry data do not include those thrifts in conservatorships at year-end (the thrifts included are referred to as private-sector thrifts by the Office of Thrift Supervision).

Resolutions in 1988 do not include 18 "stabilizations" that had assets of $7,463 million and tangible net worth of negative $3,348 million, and an estimated present-value resolution cost of $6,838 million. Resolutions in 1989 do not include seven resolutions by the Federal Savings and Loan Insurance Corporation (reportedly at no cost to FSLIC) and two by the Resolution Trust Corporation (reportedly at no cost to the RTC). Home mortgages exclude multifamily and nonresidential mortgages.

RAP= Regulatory Accounting Practice; GAAP= Generally Accepted Accounting Principles; n.a.= not applicable.

TABLE A-2. ATTRITION AMONG INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION, 1980-1990
(Assets and costs in millions of dollars)

	Resolutions Requiring FSLIC or RTC Assistance									Resolutions Requiring No Assistance	
	Liquidations			Mergers and Other Types of Assisted Resolutions			All Assisted Resolutions			Management Consignment Cases and RTC Conservatorships (a)	Supervisory Assisted Mergers
Year	Number	Total Assets	Total Cost	Number	Total Assets	Total Cost	Number	Total Assets	Total Cost		
1980	0	0	0	11	1,457.6	166.6	11	1,457.6	166.6	0	21
1981	1	88.5	30.4	27	13,819.7	728.3	28	13,908.2	758.7	0	54
1982	1	36.1	2.9	62	17,626.0	800.4	63	17,662.1	803.3	0	184
1983	5	262.6	60.6	31	4,368.5	214.1	36	4,631.1	274.7	0	34
1984	9	1,497.7	583.3	13	3,582.5	159.3	22	5,080.2	742.6	0	14
1985	9	2,141.3	630.1	22	4,227.0	391.5	31	6,368.3	1,021.6	23	10
1986	10	583.8	253.7	36	11,871.3	2,811.3	46	12,455.1	3,065.0	29	5
1987	17	3,043.8	2,277.5	30	7,616.6	1,426.1	47	10,660.4	3,703.6	25	5
1988	26	2,965.2	2,831.7	179	97,694.7	28,347.8	205	100,659.9	31,179.5	18 (b)	6
1989	30	2,294.7	1,406.7	7	8,724.5	3,992.5	37	9,662.0	5,608.0	281	0
1990	144	22,544.6	10,685.5	172	94,646.2	22,345.9	316	110,253.0	31,305.0	179	0
Total	252	35,458.3	18,762.4	590	265,634.6	61,383.8	842	292,797.9	78,628.6	555	333

SOURCE: Congressional Budget Office using data from the Federal Home Loan Bank Board and the Office of Thrift Supervision.

NOTE: Costs are estimated present-value costs of resolution.

(a) After 1988, thrifts were placed into Resolution Trust Corporation (RTC) conservatorship before resolution; before 1989, many thrifts were placed into a management consignment program.
(b) Resolution of these institutions -- called stabilizations by the Federal Home Loan Bank Board -- was incomplete.